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As the holidays draw near, you've probably heard plenty of TV and radio ads by banks and other financial institutions offering "rewards" for opening up accounts. As of December 1, certain high-profile entities – including Charles Schwab, Chase, TD Bank and Citibank — provide promotions where you can snag up to \$300 in cash bonuses.

And once we enter tax-filing season, you can expect similar come-ons for IRA contributions. The competition for your IRA dollars will likely heat up as April 18 approaches.

The cash payoffs are preferable to the toasters that were offered by banks for account

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giveaways. (Legislation passed earlier this year exempts athletes from owing tax on medals and prize amounts won in Olympic events.)

For example, if you opt to open a new bank account during the last week of the year and receive a \$100 reward in exchange, the bank will send you a Form 1099-MISC for the 2016 tax year. Accordingly, if you're in the 25% tax bracket, you must pay \$25 in tax on the \$100 you're receiving for "free." In addition, you might have to pay additional state income tax. If you reside in a state where the applicable tax rate is 5%, you pocket only \$70 after taxes.

What's more, banks can beat you up even further with extra fees assessed to your account, some of which may be hidden in the fine print. This might come in the form of "service fees" for using your account and "inactivity fees" if you don't use the account a specified number of times. In other words, the bank could get you whether or not you any transactions.

Finally, remember that this type of promotion is just a one-time reward. If the bank or financial institution doesn't otherwise meet your personal needs, you may want to bypass the opportunity and choose a better fit for your situation.

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